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The Pan-American Trade Problem in Brief

The Latin American Republics are heavily dependent on Europe in foreign trade. The Western Hemisphere south of the United States is primarily an agricultural area; it has to import manufactured products. Europe is predominantly industrial; it must import foodstuffs and raw materials.

Before the war European nations supplied about half of the imports and took about half of the exports of Latin America. In some of these Republics one or two export commodities normally shipped to Europe in great volume may mean the difference between prosperity and depression.

In the ten years before the war Germany steadily increased her share of trade with Latin America. Every day the Nazis are making elaborate preparations to dominate Latin American trade this fall.

If the present war should end with German control over Europe, the Nazis would have a strangle hold on the economic lives of our most important neighbors to the south.

In exchange for much-needed foodstuffs and raw materials, Germany would offer the products of her industries, geared to produce at a terrific pace. This would cut into our own industrial exports to Latin America and our farm exports to Europe. In competition with the United States, Germany would have the advantage of being willing to buy up the agricultural surpluses of South and Central America.

The nations of the New World would have to face the whole barrage of

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economic devices that the Nazis customarily use to drive hard bargains in foreign trade - barter deals, blocked currencies, and all. The German trade authority would be in a position to play off one Latin American nation against the other and thus dictate the terms for trading with each of them.

Worst of all, commercial coercion would certainly be used to get political and military concessions in Latin America. The loss of political independence in any of the Republics to the south would of course violate the Monroe Doctrine. Attempts by Germany to gain a military foothold in any part of the Western Hemisphere would be a thrust at the defense of the United States.

From every angle the Americas face grave perils - economic, political, and military - if Germany wins the war.

The recent Pan-American Conference at Havana was alive to the realization that Nazi "blitztrade" tactics must be countered by a united action program equally swift and strong.

The inter-American trade programs that are being worked out today do not seek to prevent postwar trade between Latin America and any foreign country. They are designed to organize the Americas into a common front for three main purposes: (1) To make sure that every buyer and seller in the New World receives his money's worth in full, (2) to guarantee that foreign trade will not be used as a weapon for political and military penetration, and (3) to increase the flow of trade within the Western Hemisphere itself.

Notable efforts are being made to expand trade between the United States and Latin America. Our neighbors to the south can supply us with

materials vital to our national defense program. They will no doubt buy larger quantities of our industrial products if they have the means to pay for them. We cannot escape from the fact that the United States must buy more from Latin American nations in order to sell more to them.

The United States is cooperating with Latin American countries to develop tropical and semi-tropical products which we need but which are not produced in our own country. For instance, we are the world's greatest buyer of rubber, obtaining more than 90 percent of it from the distant East Indies. Experts from the United States and certain countries in Central and South America are now making surveys to find the best way to produce more rubber in the Western Hemisphere. Cooperation of this kind helps unify the American nations for purposes of defense as well as trade.

Agricultural trade presents a special problem. The United States and Latin American nations are trying to export the same farm products - cotton, wheat, corn, tobacco, and fruits. We can scarcely hope to sell our agricultural surpluses to Latin America until there is a great rise in the standard of living in that area. A big demand for United States farm products can come only through a vast enlargement of buying power in the relatively undeveloped countries to the south of us.

Supplementary Data *

Total Latin American Trade with the World

Europe accounted for almost half of all Latin American trade in 1937. Nearly as much was confined to trade within the Western Hemisphere itself. Roughly a third of Latin American trade was with the United States, the largest single exporter and importer. There was very little trade with the Orient or with Africa.

From 1929 to 1938 Germany and Japan increased their shares of both the imports and exports of Latin America, while the relative importance of the United States and the United Kingdom declined.

Approximate distribution of the trade of the
20 Latin American countries to various markets,
1937

(Value in millions of U.S. dollars)

Country	Exports		Imports	
	Value	Percent of total	Value	Percent of total
Total, all countries - - - - -	2,323	100.0	1,616	100.0
UNITED STATES - - - - -	719	31.0	551	34.1
Canada - - - - -	39	1.7	18	1.1
Netherlands West Indies - - - - -	200	8.6		
Other countries in the Western Hemisphere <u>1/</u> - - - - -	140	6.0	<u>2/</u> 182	10.8
Total, Western Hemisphere	1,098	47.3	751	46.0
United Kingdom - - - - -	408	17.6	213	13.2
Germany - - - - -	203	8.7	250	15.4
France - - - - -	94	4.0	48	3.0
Italy - - - - -	70	3.0	38	2.3
Other countries in Europe - - - - -	349	15.0	226	14.0
Total, Europe	1,124	48.3	775	47.9
Japan - - - - -	38	1.6	46	2.9
Other countries in Asia, Africa and Oceania - - - - -	16	.7	48	3.0
Total, Asia, Africa, Oceania	54	2.3	94	5.9
Not reported by country - - - - - <u>3/</u>	47	2.0		

1/ Principally the Latin American countries themselves.

2/ Includes small imports from the Netherlands West Indies.

3/ Consists principally of exports of sodium nitrate and iodine from Chile, not reported separately, but for which the United States is much the largest customer. Egypt, Germany, and France are also important, and the Netherlands the United Kingdom, and a number of other countries take significant quantities.

* These data are based largely on a study by the U. S. Tariff Commission of the foreign trade of the 20 Latin American Republics.

Latin American Exports

Exports from the 20 Latin American countries totaled \$1,833,700,000 in 1938. This was 63 percent of the 1929 volume but 176.5 percent of exports in 1932.

Seven countries supplied about 85 percent of all Latin American exports in 1938, and the relative importance of these countries remained about the same in the period 1929-1938.

The percent of Latin American exports arising from each of the leading export countries in 1938 was as follows: Argentina 24, Brazil 16, Venezuela 15, Mexico 10, Cuba 8, Chile 8, and Columbia 5 percent.

Exports from the Latin American area consist principally of agricultural, forest and pastoral products and minerals.

Expressed as fractions of total world trade, Latin American exports comprise nine-tenths of the coffee, half of the flaxseed, a third of the cane sugar, a third of the cacao, and a third of the castor seeds. Latin America also exports large quantities of cotton, wheat, corn, tobacco, chiclo, henequin, spices, tropical fruits, oil-producing nuts and seeds, rubber, hardwoods, dyewoods and other tanning materials, and quinine and other drugs.

Among the pastoral products, Latin America exports nearly all of the canned beef in world trade, two-thirds of the fresh, chilled and frozen beef, and a fifth of the mutton and lamb. The Latin American area also produces about 30 percent of the world's cattle hides and calfskins, 20 percent of the sheep- and lambskins, 10 percent of the goatskins, 15 percent of the horse skins, and 95 percent of the wild pig and hog skins.

Of the principal minerals, Latin America produces about a third of the world's tin and silver, a fourth of the copper, and one-seventh of the petroleum.

Latin American Imports

Total imports into the 20 Latin American countries in 1938 amounted to \$1,488,500,000, which was 61.4 percent of the 1929 imports and 240.6 percent of 1932.

The 7 leading export countries of Latin America are also the principal importers, accounting for approximately 84 percent of all imports into the Latin American area in both 1938 and 1929.

The percentage distribution of Latin American imports in 1938 was: Argentina 30, Brazil 20, Mexico 7, Cuba 7, Venezuela 7, Chile 7, and Columbia, 6 percent.

Latin America imports a wide variety of consumption and production goods, mainly finished or semi-finished products.

Among the leading imports of nondurable consumption goods are textiles, clothing, and prepared foodstuffs (such as canned fruits, milk, and fish, and wheat flour).

Durable consumption goods, purchased in substantial amounts mainly in Latin America's few large cities, include radios, electric refrigerators, automobiles, tires, and other rubber goods.

Latin America relies heavily on imports for many production goods. Some of the leading items are: Chemicals, petroleum, coal, agricultural and industrial machinery, motors, electrical equipment, sewing machines, office equipment and appliances, airplanes, railroad locomotives, and cars and equipment, and many finished and semi-finished iron and steel products.

United States Trade with Latin America

The total trade between the United States and the Latin American area amounts to about one billion dollars annually, or approximately one-fifth of all United States trade with the world. United States trade with Latin America, exports and imports combined, amounted to \$1,087,260,000 in 1939. This was only 56 percent of the 1929 trade value of \$1,925,876,000, but 110 percent more than the \$518,323,000 of trade in 1932.

United States Exports to Latin America

Exports to the Latin American area are of considerable importance for some of the leading manufacturers in this country. Latin America takes a large part of United States exports of the following products: Lard, wheat flour, cotton cloth, auto tires, tin plate and taggers tin, oil-line pipe, electric household refrigerators, radio receiving sets, mining and oil-well machinery, typewriters, agricultural implements, harvesting machinery, and automobiles.

Some of the exports from this country to Latin America have been increasing appreciably in recent years, notably: Machinery, steel plates and sheets, cotton yarn, caustic soda, tin plate, petroleum, radio sets and parts, household electric refrigerators, and motion picture films.

United States exports of domestic merchandise to Latin America, by commodity groups, in specified years, 1929 to 1938

Commodity group	(Value in thousands of U. S. Dollars)					Percentage change between 1929 & 1938	Percentage change between 1932 and 1938
	1929	1932	Percentage change from 1929	1937	1938		
Animals and animal products, edible	52,229	10,481	-79.9	13,453	14,698	-71.9	+40.2
Animals and animal products, inedible	20,259	3,909	-80.7	7,143	5,972	-70.5	+52.8
Vegetable food products and beverages	70,693	24,951	-64.7	34,971	34,726	-50.9	+39.2
Vegetable products, inedible, except fibers and wood	36,316	9,064	-75.0	20,093	16,473	-54.6	+81.7
Textile fibers and manufactures	84,892	27,986	-67.0	39,460	33,822	-60.2	+20.9
Wood and paper	47,677	9,587	-79.9	27,441	20,503	-57.0	+113.9
Nonmetallic minerals	101,564	23,613	-76.8	50,134	46,246	-54.5	+95.8
Metals and manufactures, except machinery and vehicles	99,618	17,462	-82.5	86,253	64,495	-35.3	+269.3
Machinery and vehicles	314,541	41,945	-86.7	236,293	201,152	-36.0	+379.6
Chemicals and related products	37,007	13,637	-63.2	30,547	28,772	-22.3	+111.0
Miscellaneous	37,675	10,208	-72.9	24,586	22,806	-39.5	+123.4
Total, all groups	902,471	192,843	-78.6	570,374	489,665	-45.7	+153.9

Source: Compiled from official statistics of the U. S. Department of Commerce.

United States exports to Latin America were valued at \$569,098,000 in 1939, compared with \$911,749,000 in 1929 and only \$195,113,000 in 1932. Our exports to Latin America comprised 17.9 percent of all United States exports in 1939, nearly the same as in 1929 (17.4 percent) but a larger share than in 1932 (12.1 percent).

The 7 Latin American countries which took practically all of our exports to that area accounted for only small percentages of total United States exports in 1939: Mexico took 2.6 percent; Cuba 2.6 percent; Brazil 2.5 percent; Argentina 2.2 percent; Venezuela 2 percent; Colombia 1.6 percent; Panama 1 percent, and each of the others less than 1 percent of all exports from this country.

The distribution of United States exports to each Latin American country, in amounts and percent of our total exports to Latin America, are shown below.

U. S. Exports (Including Re-exports) To 20 Latin American Countries -- 1929, 1932 and 1939

Exported to:	Value in thousands of U. S. dollars			Percent of total U. S. exports to Latin America		
	1929	1932	1939	1929	1932	1939
South America:						
Argentina	210,288	31,133	71,114	23.06	15.96	12.50
Bolivia	5,985	2,163	4,512	.66	1.11	.79
Brazil	108,787	28,600	80,441	11.93	14.66	14.13
Chile	55,776	3,568	26,789	6.12	1.83	4.71
Colombia	48,983	10,670	51,295	5.37	5.47	9.01
Ecuador	6,069	1,754	5,900	.67	.90	1.04
Paraguay	1,500	281	675	.16	.14	.13
Peru	26,176	3,962	19,246	2.87	2.03	3.38
Uruguay	28,245	3,217	5,177	3.10	1.65	.91
Venezuela	45,325	10,229	61,952	4.97	5.24	10.89
Central America:						
Costa Rica	8,313	2,435	9,786	.91	1.25	1.72
El Salvador	8,050	2,289	4,172	.88	1.17	.73
Guatemala	11,525	2,820	8,574	1.26	1.45	1.51
Honduras	12,811	4,473	5,812	1.41	2.29	1.02
Nicaragua	7,031	1,993	4,297	.77	1.02	.75
Panama (combined)	41,133	15,609	32,615	4.51	8.00	5.73
Mexico	133,863	32,527	83,177	14.68	16.67	14.62
West Indies:						
Cuba	128,909	28,755	81,644	14.14	14.74	14.35
Dominican Republic	14,190	4,630	6,780	1.56	2.37	1.19
Haiti	8,790	4,005	5,140	.97	2.05	.90
Total United States exports to Latin America	911,749	195,113	569,098	100.00	100.00	100.00

United States Imports from Latin America

Imports into this country from the Latin American area consist almost entirely of foodstuffs, minerals, and raw materials. Practically all of our imports of the following commodities come from Latin American countries: Coffee, bananas, flaxseed, sodium nitrate, quebracho extract, and cigar leaf tobacco. We also get from Latin America a large part of our cacao, cane sugar, sisal and henequen, raw wool, and copper.

The United States has been taking an increasing amount of certain Latin American products, such as babassu nuts, cottonseed oil, canned beef, and cattle hides. The volume of imports into the United States of the principal tropical foodstuffs, such as sugar, coffee, bananas, and cacao, does not vary greatly from year to year.

United States imports 1/ from Latin America by commodity groups, in 1929, 1932, 1937, and 1938

(Value in thousands of U. S. dollars)

Commodity group	1929	1932	Per- centage change from 1929	1937	1938	Per- centage change between 1929 & 1938	Per- centage change between 1932 & 1938
Animals and animal products, edible (chiefly canned beef, and cattle)	27,958	4,770	-82.9	16,482	14,754	-47.2	+209.3
Animals and animal products, inedible (chiefly hides and skins)	61,162	10,670	-82.6	34,606	14,175	-76.8	+32.8
Vegetable food products and beverages (chiefly coffee, sugar, bananas, cacao, molasses)	535,388	218,177	-59.2	358,649	276,000	-48.4	+26.5
Vegetable products, inedible, except fibers and wood (chiefly flaxseed, tobacco, car- nauba wax, castor beans, quebracho extract)	67,201	18,923	-78.3	69,545	45,369	-45.0	+139.8
Textile fibers, and manufactures (chiefly wool, sisal, and henequen)	47,608	9,349	-80.4	40,743	17,415	-63.4	+86.3
Wood and paper (chiefly cabinet woods)	2,834	736	-74.0	1,998	1,588	-44.0	+115.8
Nonmetallic minerals (chiefly petroleum)	73,883	32,807	-55.6	24,312	20,397	-72.4	-37.8
Metals and manufactures, except machinery and vehicles (chiefly unrefined copper, and manganese ore)	127,359	16,850	-86.8	57,099	37,895	-70.2	+124.9
Machinery and vehicles	96	107	+11.5	199	103	+12.5	+ .9
Chemicals and related products (chiefly sodium nitrate)	40,595	4,994	-87.7	17,950	14,596	-64.0	+192.3
Miscellaneous	10,043	5,807	-42.2	4,661	5,101	-49.2	-12.2
Total, all groups	1,014,127	323,190	-69.1	656,244	447,398	-55.3	+38.4

1/ General imports in 1929 and 1932; imports for consumption in 1937 and 1938.

Sources: Compiled from official statistics of the U. S. Department of Commerce.

United States imports from Latin America amounted to \$518,162,000 in 1939, only about half the 1929 figure of \$1,014,127,000 but a sizeable gain above the \$323,190,000 in 1932. Our imports from Latin America have remained at about the same proportion of total United States imports, varying little from 23.05 percent in 1929 to 24.43 percent in 1932 and 22.35 percent in 1939.

Seven Latin American countries supplied about 19 percent of total United States imports and almost all of our imports from the Latin American area. Expressed in percentages of all United States imports, Brazil accounted for 4.6 percent, Cuba 4.5 percent, Argentina 2.7 percent, Mexico 2.4 percent, Colombia 2.1 percent, Chile 1.8 percent, Venezuela 1 percent, and all other Latin American countries less than 1 percent each.

The table below shows, for each Latin American country, the amount of United States imports and the percent of our imports from Latin America as a whole.

U. S. General Imports From 20 Latin American Countries
1929, 1932, and 1939

Imported from:	Value in thousands of U. S. dollars			Percentage of total U. S. imports from Latin America		
	1929	1932	1939	1929	1932	1939
South America:						
Argentina	117,581	15,779	61,920	11.59	4.88	11.95
Bolivia	379	6	2,029	.04	<u>1/</u>	.39
Brazil	207,686	82,139	107,243	20.48	25.41	20.70
Chile	102,025	12,278	40,726	10.06	3.80	7.86
Colombia	103,525	60,846	48,983	10.21	18.83	9.45
Ecuador	5,830	2,386	3,514	.58	.74	.68
Paraguay	529	100	1,803	.05	.03	.35
Peru	30,167	3,685	13,948	2.97	1.14	2.69
Uruguay	18,677	2,104	9,375	1.84	.65	1.81
Venezuela	51,224	20,294	23,612	5.05	6.28	4.56
Central America:						
Costa Rica	5,203	3,687	3,230	.51	1.14	.62
Guatemala	8,470	4,501	10,725	.84	1.39	2.07
Honduras	12,833	9,004	7,031	1.27	2.79	1.36
Nicaragua	5,748	1,964	2,902	.57	.61	.56
Panama (combined)	5,351	3,530	4,060	.53	1.09	.78
El Salvador	3,830	1,143	6,957	.38	.35	1.34
Mexico	117,738	37,423	56,319	11.61	11.58	10.87
West Indies:						
Cuba	207,421	58,330	104,930	20.45	18.05	20.25
Dominican Republic	8,465	3,380	5,824	.83	1.05	1.12
Haiti	1,445	611	3,031	.14	.19	.59
Total United States imports from Latin America	1,014,127	323,190	518,162	100.00	100.00	100.00

1/ Less than 1/100 of 1 percent.

Importance of U. S. Trade to Latin American Countries

For the most part, United States trade with individual Latin American countries is more vital to them than it is to us. Such trade constitutes a greater share of their total trade than of our total trade.

The reduction in our imports of a few agricultural and mineral products after 1929 had serious effects on the economies of certain Latin American countries. The decline in the volume of our imports of animal and animal products, as well as inedible vegetable products, was a matter of serious concern to Argentina, Mexico, Uruguay, and Brazil. A reduction in the import values of vegetable food products affected Brazil, Cuba, Colombia, Mexico, and the six countries of Central America. Argentina and Mexico felt the consequences of a decline in wool and henequen imports. Venezuela and Mexico were especially affected by reduced values of petroleum imports. Chile suffered when our imports of nitrates were cut sharply. A decrease in the import values of metals affected Chile, Peru, Mexico, and Cuba.

Need for Export Balance by Latin America

Latin American countries ordinarily have an export balance in their trade with the United States, although in 1938 and 1939 our exports to Latin America exceeded our imports from that area.

Latin America relies on an excess of exports to the United States in order to pay for shipping facilities. Lack of merchant vessels compels Latin American nations to buy shipping services from the United States.

Moreover, Latin America is in a debtor position and therefore depends on excess exports to finance payments on loans and investments held by individuals in the United States.

It is apparent that the United States will have to buy a proportionately larger quantity of goods from Latin America in order to provide a steady flow of exchange for the purchase of more United States products by the countries south of us.

United States Loans and Investments in Latin America

Investors in this country have a large stake in Latin America. The par value of United States holdings of dollar bonds in Latin America in 1936 amounted to 1.1 billion dollars, which was 30 percent of all foreign dollar bonds held in the United States. In addition, the direct investments of United States citizens in Latin America totalled 2.8 billion dollars, or 43 percent of all United States direct investments in foreign countries.

United States Tariff on Products from Latin America

United States customs duties or import excise taxes apply to about two-fifths of all our imports from Latin America. Practically all of the imported manufactured foodstuffs are dutiable. For the most part they supplement production in the United States. The principal dutiable imports are sugar, flaxseed, tobacco, hides and skins, canned beef, and petroleum.

About 60 percent of our imports from Latin America consist of raw materials and tropical products that are duty-free and not produced commercially in the United States. The most important duty-free items are copper, coffee, bananas, cacao, sodium nitrate, cabinet woods, sisal and henequen, and carpet wool (for re-export).

Dutiable imports from Latin America are subject to a higher average rate (47.5 percent) than the average duty on imports from other countries (36.8 percent). To a large extent sugar is responsible for this difference, for it has a rate of 53.8 percent and represents almost half of our total dutiable imports from Latin America.

The United States has trade agreements with eleven countries in South and Central America. Since most of the imports from these countries consist of duty-free products, the concessions granted by the United States in many of the agreements amount mainly to binding items on the free list.